AMBER VALLEY BOROUGH COUNCIL

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

SUBJECT TO AUDIT AUTHORISED FOR ISSUE

AMBER VALLEY BOROUGH COUNCIL

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FURTHER INFORMATION

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EXPLANATORY FOREWORD

1. Introduction

The purpose of the foreword is to offer all parties who may be interested in the Council's accounts an easily understandable guide to the most significant matters reported in the accounts. It also provides an explanation in overall terms of the Council's financial position and assists in the interpretation of the accounting statements that follow.

It also sets out a commentary on the major influences, which have affected the Council's income and expenditure and cash flows during the course of 2010-11, as well as providing information its financial needs and resources.

2. Financial Statements

An explanation of the statements included within these accounts is given below.

Statement	Purpose
Explanatory Foreword	This provides an easily understandable guide to the most significant matters reported in the statement of accounts.
Statement of Responsibilities for the Statement of Accounts	Authorities are required to include in their accounts a statement of responsibilities for the statement of accounts. This sets out the respective responsibilities of the authority and the chief financial officer for the accounts.
Statement of Accounting Policies	This explains the basis for measuring and the disclosure of transactions within the accounts.
Movement in Reserves Statement	The Movement in Reserves Statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Council's Balance Sheet over the financial year. It does this by analysing movements in the net worth of the Authority arising from incurring expenses and generating income, the movement in the fair value of the Council's assets and movements between reserves to increase or reduce the resources available to the Council according to statutory provisions.
Comprehensive Income & Expenditure Statement	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council's raise taxation to cover expenditure in accordance with regulations: this may differ from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
Balance Sheet	The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves (those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.) The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding under regulations'.
Cash Flow Statement	The Cash Flow Statement summarises the flows of cash that have taken place into and out of the Authority's bank accounts over the financial year.

Statement	Purpose
	It separate flows into those that have occurred as a result of the Authority's operations, those arising from its investing activities and those attributable to financing decisions.
Collection Fund	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Annual Governance Statement	This sets out the framework, which the Council uses to manage and control business risk. This is considered to be an important public expression of what the Council has done to put in place good business practices and policies, robust performance and financial management, high standards of conduct and sound governance. Authorities are required to carry out a review at least once a year of the effectiveness of their system of internal control and to include a statement on governance including internal control as part of their statement of accounts.

3. Comparison with Revenue Budget

Each year the Council approves its annual revenue budget against which the costs of providing services are monitored. This is also used to determine the Council's budget requirement for council tax setting purposes. Throughout the year the budget is reviewed to take account of changing circumstances such as policy changes and the impact of internal and external factors affecting cost and income levels.

The impact of these changes is reflected in the revised budget, which was approved by Council in March 2011. The table below shows the council's performance against both the original and revised budgets.

Details	Original Estimate £000's	Revised Estimate £000's	Actual £000's	Variance Rev Est to Actual £000's
Net service expenditure	16,074	14,229	13,798	-431
Reversal of capital charges	-742	-1,436	-1,651	-215
Interest payable	32	1,838	2,005	167
Interest & investment income	-104	-112	-120	-8
Minimum revenue provision	298	557	953	396
Other operating costs	1,048	1,559	958	-601
	16,606	16,635	15,943	-692
Transfers to/(from) reserves	-328	-294	43	337
Net operating expenditure	16,278	16,341	15,986	-355
Amount to be met from government grants and local taxpayers:				
- Council tax payers	-6,239	-6,239	-6,239	-
- Redistributed non-domestic rates	-8,626	-8,626	-8,626	-
- General government grant	-1,253	-1,253	-1,253	-
(Surplus)/deficit in year	160	223	-132	-355

4. Commentary on Budget Variations (Actual Against Revised Estimate)

Overall the net position on the Council's General Fund shows a net underspend of £354,656 occurred during 2010-11.

The principal reasons for the overall variance include: -

- Salary Savings (£60,000 favourable)
- Housing Benefits Net (£50,000 favourable)
- Land Charges Grant/Charges (£43,000 favourable)
- Planning Fees (£22,000 favourable)
- Concessionary Fares (£45,000 favourable)
- Property Maintenance (£28,000 favourable)
- Car Park Enforcement (Net £16,000 favourable)
- Staff Training (£21,000 favourable)
- Local Plan (£50,000 favourable)
- Leisure Facilities, Belper (£302,000 favourable)
- Derwent Valley Visitor Centre (£40,000 adverse)
- Transfer to/from Operational Reserve (£337,000 adverse)

Overall the net effect of these variations in 2010-11 represent a change from a planned use of the General Fund reserve of £222,900 to a contribution to the reserve of £131,756. This leaves the balance on the General Fund reserve at £2,555,446 as at 31 March 2011.

5. Capital Programme including the Acquisition of Assets

In addition to approving an annual revenue budget the Council also approves a capital programme which sets out the Council's long term spending plans on assets and certain other expenditure which is intended to provide a lasting benefit to the authority or its area.

The capital programme is approved by the Council before the start of the financial year and is regularly reviewed through out the year to take account of progress on specific projects, changes to individual schemes as well as cost variations. The combined impact of these changes is recorded in the revised capital programme, which the Council approved in March 2011.

Overall planned expenditure of £4.2 million was approved for 2010-11, split between the other services (£2.1 million), housing investment (£2.1 million).

Significant schemes included in the 2010-11 other services programme saw works in various Parks and Recreation Grounds. In respect of housing investment the programme spend related to various housing grants (disabled facilities, Social housing ,empty property and decent homes).

The outturn for 2010-11 on these programmes amounted to £3.95 million in total with the following key variances being reported.

- Disabled Facilities Grants – (£117,500 adverse – timing of planned spend)
- Belper Cemetery Roadway Extension (£89,200 favourable – slippage of planned spend)
- CCTV Digital Recording (£65,000 favourable – slippage of planned spend)
- Play Area Refurbishments (£87,300 favourable – slippage of planned spend)

6. Pension Liability

The balance sheet shows the Council's future liability in respect of the payment of retirement benefits to its employees. The total liability of £24.7 million (favourable movement of £10.78 million in 2010-11) has a substantial impact on the net worth of the authority. However the statutory arrangements for funding the deficit mean the overall financial position of the authority remains healthy as the deficit will be made good by increased contributions by the Council over the remaining working life of employees as assessed by the scheme's actuary.

7. Issues Arising From the Collapse of the Icelandic Banking System

The Council's accounts for 2008-09 recoded the potential loss of an investment made with an Icelandic bank, which went into Administration during October 2008.

In accordance with recognised accounting practice the loss was charged against the Council's Income and Expenditure Statement, however the Department for Communities and Local Government introduced regulations which allow authorities to defer the impact of the loss until 2010-11.

The latest estimate of recoveries from the Administrators' indicates a possible recovery in the region of between 75-84% may be expected. The impact of the improved prospects for recovery has been included in the Comprehensive Income and Expenditure Statement (£112,000). This has reduced the overall cost of the anticipated lost to £191,000.

8. Changes in Accounting Policies

2010-11 is the first year that local authorities have been required to prepare their accounts under an International Financial Reporting Standards (IFRS) basis. This has seen a number of changes to the policies and accounting statements, which follow. These include changes to the manner in which grants, leases the costs of staff holiday entitlements are accounted for Many of the changes are technical and regulations issued by the government have mitigated the possible adverse financial impact for local authorities.

Changes required under IFRS are largely applied retrospectively and as a result this has required the Council to produce an IFRS complaint Balance Sheet as at the start of the previous accounting period (1 April 2009) as well as for the current and prior year comparator period.

Detailed notes outlining the major impact of the accounting changes required as a result of introducing IFRS are included in note 44 to these financial statements.

9. Borrowing Facilities and Capital Borrowing

The Council repaid the balance of its PWLB borrowing during 2009-10

Current borrowing shown as long term liabilities in the Balance Sheet relates to finance lease liabilities arsing from a PFI Scheme (£19.6 million) as well as for assets brought on Balance sheet following a review of leases necessitated by the introduction of IFRS.

These include land and property, commercial vehicles and vehicles deemed to be controlled by the Council under a refuse and recycling contract (£1.5 million in total).

10. Summary of Resources available to meet Capital Expenditure Plans and Financial Commitments

Unallocated revenue reserves amounting to £2.555 million exist as at 31 March 2011. This represents an increase of £132,000 over the year. The budgeted use of reserves anticipated when the original estimate was prepared was £160,000. The budgeted use of reserves anticipated when the revised estimate was prepared was £223,000. The actual use of reserves varies by £355,000 against the revised estimate with £132,000 added back to reserves. The most significant reasons behind this variance are outlined in note 4 of this explanatory foreword.

This level of reserves represent 15.8% of the Net Budget Requirement for the year, which exceeds the minimum prudent level of 8% determined by the Executive Director of Financial Services in the Council's Budget Strategy.

Earmarked reserves of £4.3 million remain at 31 March 2011. These are reserves held for specific purposes.

The Council also has unused capital receipts of £4.9 million arising from the sale of assets and from the right to buy agreement with Amber Valley Housing Limited. These receipts are available for future investment in capital projects within the borough. However, of these receipts £4.15 million relates to the proceeds from the housing stock transfer, which may only be used for housing and regeneration purposes. The Council's current policy is that these receipts are retained and invested; with the investment interest generated supporting the Council's day-to-day expenditure.

11. Significant Provisions, Contingencies & Write-offs

The Council has no significant provisions or contingencies apart from the unallocated revenue reserves referred to above. There has been no significant write off's during the year although the Council continue to monitor the adequacy of its debtor impairment provisions.

12. Material Events after the Balance Sheet Date

There have been no material events affecting the Council since 31 March 2011, which would require disclosure in the Councils Accounts

13. Financial Outlook

The most significant factor facing the Council at present is the extent of the reductions in the funding provided to local authorities by central government. Formula grant allocations for the next two years were announced in December 2010. The Council's grant for 2011-12 has been cut by £2.6 million, equivalent to 27% and by a further £900,000 in 2012-13.
The national economic situation also continues to create budget pressures for the Council. These include reduced investment returns, reduced income from property related activities and car parking. The Council's budget forecasts attempts to reflect these ongoing financial pressures on the budget, but the duration and severity of the economic downturn is impossible to predict with any certainty.

The Council has identified a number of areas to reduce its cost base and increase income generation to address the impact of reduced the grant allocations and falling levels of income, however the challenge faced is to deliver these in a timely manner.

Active monitoring of the Council's performance in delivering these savings, as well as ongoing monitoring of key sources of income remains a priority.

14. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Local authorities are required to include in their statement of accounts a statement of responsibilities for the statement of accounts, which sets out the respective responsibilities of the authority and the chief financial officer. The Statement of Responsibilities confirms the Statement of accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting.

The Authority's Responsibilities:

The Council is required to: -

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director (Financial Services)
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

Signed by the Chairman of the Council

Ron Ashton, Mayor of Amber Valley Borough Council

Dated: September, 2011

The Executive Director Financial Services Responsibilities:

The Executive Director Financial Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Executive Director Financial Services has: -

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the local authority Code

The Executive Director Financial Services has also

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011

Signed by the Executive Director Financial Services

Sylvia Ann Delahay

Dated: 30 June 2011

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed between 'usable reserves' (those that can be applied to fund expenditure or reduce taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services. More details are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

MOVEMENT IN RESERVES STATEMENT

2009-10 (Prior Year Comparative Figures)	General Fund Balance £000's	Earmarked General Fund Reserves £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
Balance at 31 March 2009	**2,387**	**4,487**	**5,282**	**1,004**	**13,160**	**-1,943**	**11,217**
Movement in reserves during 2009-10							
Surplus or deficit (-) on the provision of services	-917	-	-	-	-917	-	-917
Other Comprehensive Income and Expenditure	-	-	-	-	-	-13,300	-13,300
Total Comprehensive Income and Expenditure	**-917**	**-**	**-**	**-**	**-917**	**-13,300**	**-14,217**
Adjustments between accounting basis under regulations	1,041	-	111	108	1,260	-1,260	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**124**	**-**	**111**	**108**	**343**	**-14,560**	**-14,217**
Transfers to/from Earmarked Reserves	-88	88	-	-	-	-	-
Increase/Decrease in 2009-10	**36**	**88**	**111**	**108**	**343**	**-14,560**	**-14,217**

MOVEMENT IN RESERVES STATEMENT (Current Year)

2010-11	General Fund Balance £000's	Earmarked General Fund Reserves £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
Balance at 31 March 2010	**2,423**	**4,575**	**5,393**	**1,112**	**13,503**	**-16,503**	**-3,000**
Movement In Reserves During 2010-11							
Surplus Or Deficit (-) on the Provision of Services	3,724	-	-	-	3,724	-	3,724
Other Comprehensive Income and Expenditure	-	-	-	-	-	7,568	7,568
Total Comprehensive Income and Expenditure	**3,724**	**-**	**-**	**-**	**3,724**	**7,568**	**11,292**
Adjustments Between Accounting Basis Under Regulations	-3,886	-	-507	-434	-4,827	4,827	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**-162**	**-**	**-507**	**-434**	**-1,103**	**12,395**	**11,292**
Transfers to/from Earmarked Reserves	294	-294	-	-	-	-	-
Increase/Decrease in 2010-11	**132**	**-294**	**-507**	**-434**	**-1,103**	**12,395**	**11,292**
Balance at 31 March 2011	**2,555**	**4,281**	**4,886**	**678**	**12,400**	**-4,108**	**8,292**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council's raise taxation to cover expenditure in accordance with regulations: this may differ from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009-10 Gross Expenditure £000's	2009-10 Gross Income £000's	2009-10 Net Expenditure £000's	Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations	2010-11 Gross Expenditure £000's	2010-11 Gross Income £000's	2010-11 Net Expenditure £000's
10,668	9,601	1,067	Central Services To The Public	11,106	9,920	1,186
4,535	1,673	2,862	Cultural And Related Services	3,788	1,760	2,028
6,240	1,685	4,555	Environmental And Regulatory Services	6,028	1,539	4,489
2,318	1,135	1,183	Planning Services	2,389	1,126	1,263
3,776	1,151	2,625	Highways And Transport Services	3,930	1,233	2,697
29,517	29,086	431	Housing Services	32,131	30,547	1,584
1	-	1	Adult Social Care	1	-	1
1,819	175	1,644	Corporate And Democratic Core	1,794	124	1,670
25	-	25	Non Distributed Costs	-	4,886	-4,886
58,899	**44,506**	**14,393**	**Cost of Services**	**61,167**	**51,135**	**10,032**
		899	Other Operating Expenditure			1,159
		3,870	Financing and Investment Income and Expenditure			3,386
		-18,245	Taxation and Non-Specific Grant Income			-18,301
		917	**Surplus (-) or Deficit on Provision of Services**			**-3,724**
		4,706	Surplus (-) or Deficit on revaluation of Property Plant and Equipment Assets			-884
		8,595	Actuarial Gains (-) & Losses on Pension Assets and Liabilities			-6,685
		13,301	**Other Comprehensive Income and Expenditure**			**-7,569**
		14,218	**Total Comprehensive Income and Expenditure**			**-11,293**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves (i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding under regulations’.

BALANCE SHEET

1 April 2009 £000's	31 March 2010 £000's		Notes	31 March 2011 £000's
51,790	45,514	Property, Plant and Equipment	12	46,092
2,945	3,003	Investment Property	13	2,996
31	14	Intangible Assets	14	103
-	30	Assets Held for Sale	20	66
263	218	Long Term Investments		150
37	39	Long Term Debtors		38
55,066	**48,818**	**Long Term Assets**		**49,445**
2,823	122	Short Term Investments		1,132
-	-	Assets Held for Sale		30
29	25	Inventories		18
3,793	6,807	Short Term Debtors	18	2,227
12,259	7,319	Cash and Cash Equivalent	19	12,667
18,904	**14,273**	**Current Assets**		**16,074**
-	-	Cash and Cash Equivalent		720
-	-	Short Term Borrowing		-
5,537	3,682	Short Term Creditors	21	6,025
		Provisions		-
5,537	**3,682**	**Current Liabilities**		**6,745**
-	-	Long Term Creditors		-
-	-	Provisions		-
5,000	-	Long Term Borrowing		-
48,644	57,824	Other Long Term Liabilities		46,412
-	-	Donated Assets Account		-
3,572	4,585	Capital Grants in Advance		4,069
57,216	**62,409**	**Long Term Liabilities**		**50,481**
11,217	**-3,000**	**Net Assets**		**8,293**
13,160	13,503	Usable Reserves		12,400
-1,943	-16,503	Unusable Reserves	23	-4,107
11,217	**-3,000**	**Total Reserves**		**8,293**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.

CASH FLOW STATEMENT

2009-10 £000's		2010-11 £000's
	Net Surplus (-) or Deficit on the Provision of Services	
	Adjustments to Net Surplus or Deficit on the Provision of Services for Non Cash Movements	
	Adjustments to Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	
	Net Cash Flows from Operating Activities (Note 24)	
	Investing Activities (Note 25)	
	Financing Activities (Note 26)	
	Net Increase or Decrease in Cash and Cash Equivalents	
	Cash and Cash Equivalents at the Beginning of the Reporting Period	
	Cash and Cash Equivalents at the End of the Reporting Period	

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a) General Principles

The Statement of Account summarises the Authority's transactions for the 2010-11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and the Best Value Accounting Code of Practice 2010-11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made of received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will follow to the Authority.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

d) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

e) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

f) Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year.

- Depreciation attributable to the assets used by the relevant service

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- Amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment loses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (the Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

g) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, flexi leave or time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year.

The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination

benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members the Local Government Pensions Scheme, administered by Derbyshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Scheme is accounted for as a defined benefits scheme:

The Liabilities of Derbyshire County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actual basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (5.6% in 2009-10). The discount rate is based on the indicative rate of return on high quality corporate bond [name of bond or index of bonds].

The assets of Derbyshire County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pensions liability is analysed into seven components

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pensions Reserve
- Contributions paid to the Derbyshire County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Any positive balance which exists on the Pensions Reserve indicates the valuation of scheme assets exceed the value of scheme liabilities that will become payable in the future, based on benefits earned by employees to date.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

h) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a

category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

i) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest, where applicable); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the assets has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price

- Other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or the fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered Into Before 1 April 2006

The Authority entered into one financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

j) <u>Government Grants and Contributions</u>

Whether paid on account, by instalment or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and

- The grants or contributions will be received

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or

contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where is has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Council receives various general grants allocated by government departments as additional revenue funding towards the provision of services. These grants are non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

k) <u>Intangible Assets</u>

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (for example software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it can be demonstrated that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any

losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment or an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

l) Inventories & Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisation value. The cost of inventories is assigned using the FIFO costing formula and are based upon stock checks undertaken at the end of the financial year.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

m) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements so have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

n) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where the ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an items of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

o) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010-11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

p) Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost

- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value –EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer

- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

- Infrastructure – straight-line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at that date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying out of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

q) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For Leisure PFI Scheme, the liability was written down by an initial capital contribution of £3.7 million in 2006-07.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- Finance cost – an interest charge of 8.90% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

r) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of

the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is possible that there will be an inflow of economic benefits or service potential.

s) <u>Reserves</u>

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the

Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to mange the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

t) Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged to that there is no impact on the level of council tax.

u) VAT

VAT payable is included as an expense only to the extent that is it not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question. For 2010-11 the only accounting policy change that needs to be reported relates to FRS 30 Heritage Assets. As the Council has no assets classified as heritage assets no disclosures are required.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future funding levels for local government after the end of the period covered by current Comprehensive Spending Review (March 2013). The Council's three year Medium term Financial plan has made assumptions about the extent of further reductions to the level of external grant support for local authorities. However the Council has determined that this uncertainty is not yet sufficient to provide an

indication that the assets of the Authority might be impaired as a need to close facilities and reduce levels of service provision.

- The Council deposited £1 million with Kaupthing Singer and Friedlander in April 2008. The bank is currently in Administration and the Council has reflected the extent of the impairment in its Accounts based upon the latest report produced by the Administrators of the bank. Over time the extent of the anticipated recovery may change and this
- The Council is deemed to control the vehicles provided under a refuse collection and recycling contract. The contract operated by an external contractor has been assessed and the vehicles used have been treated as an embedded lease. As a result the written down value of the assets are shown in the balance sheet along with a corresponding finance lesae liability.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.3 million. However, the assumptions interact in complex ways.
Impaired Investment	Extent of anticipated recovery	A 2.5% reduction in the anticipated recovery would increase the impairment charge by £23,000
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors for £3 million. A review of significant balances suggested that an impairment of doubtful debts of £750,000 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 10% of the amount of the impairment of doubtful debts would require an additional £75,000 to set aside as an allowance.

5. Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items are to be set out in this note. However during the year there were no disposals of items of property, plant and equipment, disposals of investments or reversals of provisions.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010-11	Usable Reserves			
	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments Primarily Involving the Capital Adjustment Account:				
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement:				
Charges for Depreciation and Impairment of Non Current Assets	1,687			-1,687
Revaluation Losses on Property Plant and Equipment	-60			60
Movements in the market value of Investment Properties				
Amortisation of Intangible Assets	31			-31
Capital Grants and Contributions Applied	-2,158			2,158
Revenue Expenditure Funded from Capital Under Statute	2,481			-2,481
Amounts of Non Current Assets written off on disposal or sale as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement				
Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Financing of Capital Investment	-954			954
Capital Expenditure charged against the General Fund Balance	-398			398

2010-11	Usable Reserves			
	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	-3		3	
Application of Grants to Capital Financing transferred to the Capital Adjustment Account			-437	437
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-176	176		
Use of the Capital Receipts Reserve to finance new Capital Expenditure		-953		953
Contribution from the Capital Receipts Reserve towards administrative costs of Non Current Asset disposals				
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	2	-2		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		272		-272
Adjustments Primarily Involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-64			64
Adjustments Primarily Involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different fro finance costs chargeable in the year in accordance with statutory requirements	-308			308
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note xx)	-2,186			2,186
Employers pension contributions and direct payments to pensioners payable in the year	-1,912			1,912
Adjustments Primarily Involving the Council Tax Adjustment Account:				
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income calculated for the year in accordance with statutory requirements	9			-9

2010-11	Usable Reserves			
	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments Primarily Involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in the year in accordance with statutory requirements	123			-123
Total Adjustments	**-3,886**	**-507**	**-434**	**-4,827**

2009-10 (Prior Year Comparative Figures)	Usable Reserves			
	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments Primarily Involving the Capital Adjustment Account:				
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement:				
Charges for Depreciation and Impairment of Non Current Assets	2,405			-2,405
Revaluation Losses on Property Plant and Equipment	-39			39
Movements in the market value of Investment Properties	-72			72
Amortisation of Intangible Assets	26			-26
Capital Grants and Contributions Applied	-1,473			1,473
Revenue Expenditure Funded from Capital Under Statute	1,135			-1,135
Amounts of Non Current Assets written off on disposal or sale as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	250			-250
Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Financing of Capital Investment	-663			663
Capital Expenditure charged against the General Fund Balance	-230			230

2009-10 (Prior Year Comparative Figures)	Usable Reserves			
	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	-218		218	
Application of Grants to Capital Financing transferred to the Capital Adjustment Account			-111	111
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-361	361		
Use of the Capital Receipts Reserve to finance new Capital Expenditure		-360		360
Contribution from the Capital Receipts Reserve towards administrative costs of Non Current Asset disposals				
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	2	-2		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		112		-112
Adjustments Primarily Involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-269			269
Adjustments Primarily Involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different fro finance costs chargeable in the year in accordance with statutory requirements	-299			299
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note xx)	2,810			-2,810
Employers pension contributions and direct payments to pensioners payable in the year	-1,916			1,916
Adjustments Primarily Involving the Council Tax Adjustment Account:				
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income calculated for the year in accordance with statutory requirements	-58			58

2009-10 (Prior Year Comparative Figures)	Usable Reserves General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Adjustments Primarily Involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in the year in accordance with statutory requirements	11			-11
Total Adjustments	**1,041**	**111**	**107**	**-1,259**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances to earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet General Fund expenditure in 2010-11.

General Fund Reserves	Balance at 1 April 2009 £000's	Transfers Out 2009-10 £000's	Transfers In £000's	Balance at 31 March 2010	Transfers Out 2010-11 £000'	Transfers In 2010-11 £000's	Balance at 31 March £000's
Telecommunications and Computing	353	57	68	364	100	67	331
Maintenance of Graves in Perpetuity	1	-	-	1	-	-	1
Other Reserves	75	-	-	75	-	-	75
Business Growth Initiative	745	343	49	451	305	76	222
Operational	1,100	101	630	1,629	602	672	1,699
Severance	98	98	-	-	-	-	-
Other Earmarked Reserve	1,884	280	-	1,604		-	1,604
Total	**4,256**	**879**	**747**	**4,124**	**1,007**	**815**	**3,932**

9. Other Operating Expenditure

2009-10 £000's	Other Operating Expenditure	2010-11 £000's
1,273	Parish Council Precepts	1,398
2	Payments to the Government Housing Capital Receipts Pool	2
-377	Gains (-)/Loss on the disposal of Non Current Assets	-240
898	**Total**	**1,160**

10. Financing and Investment Income and Expenditure

2009-10 £000's	Financing and Investment Income and Expenditure	2010-11 £000's
2,240	Interest Payable and Similar Charges	1,999
2,147	Pensions Interest Cost and Expected Return on Pensions Assets	1,618
-204	Impairment Adjustment – Financial Instrument	-112
-241	Interest Receivable and Similar Income	-120
-72	Income and Expenditure in Relation to Investment Properties	-
-	Other Investment Income	-
3,870	**Total**	**3,385**

11. Taxation and Non Specific Grant Income

2009-10 £000's	Taxation and Non Specific Grant Income	2010-11 £000's
7,472	Council Tax Income	7,627
7,914	Non Domestic Rates Re-Distribution	8,626
2,100	Non Ring fenced Government Grants	1,346
759	Capital Grants and Contributions	702
18,245	**Total**	**18,301**

12. Property Plant and Equipment

Property Plant and Equipment - Movement in 2010-11	General Fund Housing £000's	Other land and Buildings £000's	Vehicles, Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Surplus Assets £000's	Assets Under Construction £000's	Total Plant Property and Equipment £000's	PFI Assets Included in Property Plant and Equipment £000's
Cost or Valuation									
At 1 April 2010	1,335	41,095	7,950	1,244	2,749	747	128	55,249	24,001
Additions	-	329	205	-	826	-	-	1,361	-
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-18	970	-	-	8	4	4	968	681
Revaluation – Depreciation written off GBV	-19	-987	-	-	-8	-	-	-1,014	-701
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-	-24	-	-	-	-10	-	-34	-
De-recognition – Disposals	-	-	-	-	-	-	-	-	-
De-recognition – Other	-	-	-	-	-	-	-	-	-
Assets reclassified to (-)/from Held for Sale	-	-	-	-	-	-66	-	-66	-
Other Movements in cost or valuation	-	-	-	-	-	-	-	-	-
At 31 March 2011	**1,299**	**41,383**	**8,155**	**1,244**	**3,575**	**675**	**132**	**56,464**	**23,981**

Property Plant and Equipment - Movement in 2010-11	General Fund Housing £000's	Other land and Buildings £000's	Vehicles, Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Surplus Assets £000's	Assets Under Construction £000's	Total Plant Property and Equipment £000's	PFI Assets Included in Property Plant and Equipment £000's
Accumulated Depreciation and Impairment									
At 1 April 2010	19	2,649	6,027	353	687	-	-	9,734	737
Depreciation charge	18	759	571	40	19	-	-	1,408	219
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Impairment losses/reversals (-) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/reversals (-) recognised in the Surplus/Deficit on the Provision of Services	-	78	8	-	158	-	-	244	-
Depreciation written out on revaluation	-19	-987	-	-	-8	-	-	-1,014	-701
At 31 March 2011	**18**	**2,500**	**6,607**	**393**	**855**	**-**	**-**	**10,373**	**255**

Net Book Value									
At 31 March 2011	**1,280**	**38,884**	**1,549**	**851**	**2,720**	**675**	**132**	**46,092**	**23,726**
At 31 March 2010	**1,316**	**38,447**	**1,923**	**891**	**2,062**	**747**	**128**	**45,514**	**23,264**

Property Plant and Equipment - Movement in 2009-10 (Prior Year Comparatives	General Fund Housing £000's	Other land and Buildings £000's	Vehicles, Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Surplus Assets £000's	Assets Under Construction £000's	Total Plant Property and Equipment £000's	PFI Assets Included in Property Plant and Equipment £000's
Cost or Valuation									
At 1 April 2009	1,311	46,828	7,694	1,244	2,122	718	137	60,054	28,947
Additions	-	123	256	-	651	-	-	1,030	-
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	148	-4,603	-	-	-13	29	-6	-4,445	-4,946
Revaluation – Depreciation written off GBV	-18	-436	-	-	-8	-	-	-462	-
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-106	-82	-	-	-4	-1	-2	-194	-
De-recognition – Disposals	-	-250	-	-	-	-	-	-250	-
De-recognition – Other	-	-	-	-	-	-	-	-	-
Assets reclassified to (-)/from Held for Sale	-	-	-	-	-	-	-	-	-
Other Movements in cost or valuation	-	-484	-	-	-	-	-	-484	-
At 31 March 2010	**1,335**	**41,095**	**7,950**	**1,244**	**2,749**	**747**	**128**	**55,249**	**24,001**

Property Plant and Equipment - Movement in 2009-10 (Prior Year Comparatives)	General Fund Housing £000’s	Other land and Buildings £000’s	Vehicles, Plant & Equipment £000’s	Infrastructure Assets £000’s	Community Assets £000’s	Surplus Assets £000’s	Assets Under Construction £000’s	Total Plant Property and Equipment £000’s	PFI Assets Included in Property Plant and Equipment £000’s
Accumulated Depreciation and Impairment									
At 1 April 2009	18	1,835	5,446	313	621	-	-	8,232	-
Depreciation charge	19	1,256	578	40	18	-	-	1,911	737
Depreciation written out to the Revaluation Reserve									
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Impairment losses/reversals (-) recognised in the Revaluation Reserve	-	-50	-	-	-	-	-	-50	-
Impairment losses/reversals (-) recognised in the Surplus/Deficit on the Provision of Services	-	79	3	-	56	-	-	138	-
De-recognition – Disposals	-	-35	-	-	-	-	-	-35	-
Depreciation written out on revaluation	-18	-436	-	-	-8	-		-463	-
At 31 March 2010	**19**	**2,649**	**6,027**	**353**	**687**	**-**	**-**	**9,734**	**737**

Net Book Value									
At 31 March 2010	**1,316**	**38,447**	**1,923**	**891**	**2,062**	**747**	**128**	**45,514**	**23,264**
At 31 March 2009	**1,293**	**44,993**	**2,216**	**931**	**1,502**	**718**	**136**	**51,790**	**28,947**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings – between 10 and 60 years, depending on nature of property;
- Vehicles, Plant, Furniture & Equipment – 25% of carrying amount;
- Infrastructure – 20 years.

Capital Commitments

At 31 March 2011, the Authority had a number of commitments in relation to significant capital schemes (Property Plant and Equipment and for revenue expenditure funded by capital under statute)

- Disabled Facilities Grants – £1,121,200
- Decent Homes Grants - £412,300
- Heanor Memorial Park Improvements - £207,400

Similar commitments at 31 March 2010 were £1,571,900.

Effects of Changes in Estimates

During 2010-11 the Authority made no material changes to its accounting estimates for Property, Plant and Equipment:

Revaluations

The Council carries out a full revaluation of its property plant and equipment every five years to ensure it is measured at fair value. Assets values are assessed by annually by category of asset to determine any movement in the asset values. This review is used as the basis for determining the existence of any impairment, revaluation gains or losses.

The last full valuation was undertaken internally by the Council's Valuer in 2006-07. Subsequent annual valuations have been carried out by a qualified Valuer from a neighbouring Authority. These have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Revaluation Table	General Fund Housing £000's	Other Land and Buildings £000's	Vehicles Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Surplus Assets £000's	Assets Under Construction £000's	Total £000's
Assets Carried at Historical Cost	31	184	526	852	2,357	-	-	3,949
Assets Valued at Fair Value as at:								
2010-11	923	35,630	689	-	240	664	132	38,277
2009-10	-	70	186	-	64	-	-	321
2008-09	-	131	77	-	-	-	-	208
2007-08	-	167	70	-	59	-	-	297
2006-07	326	2,701	-	-	-	11	-	3,038
Total Cost or Valuation	**1,280**	**38,884**	**1,549**	**852**	**2,720**	**675**	**132**	**46,092**

13. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2009-10 £000's	Investment Property – Rental Income & Operating Expenses	2010-11 £000's
161	Rental Income from Investment Property	144
-186	Direct Operating Expenses arising from Investment Property	-216
-25	**Net Gain/Loss (-)**	**-72**

2009-10 £000's	Investment Property – Movement in Balance	£000's	2010-11 £000's
2,945	**Balance at 1 April**	**3,003**	
	Additions in year		
-	Purchases	-	
-	Construction	-	
-	Subsequent Expenditure	11	
2,945			3,014
-	Disposals in year	-	
88	Net Gains/Losses (-) from Fair Value Adjustments	-	
	Transfers in year		
-30	To/From Inventories	-	
-	To/From Property Plant & Equipment	-	
3,003			
-	Other Changes	-18	
3,003	**Balance at 31 March**		**2,996**

14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software used by the Authority are five years

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £31,00 charged to revenue in 2010-11 (£26,000 in 2009-10) was charged against the net cost of services in the Comprehensive Income and Expenditure Statement

2009-10 £000's	Other Intangible Assets (Purchased Software)	£000's	2010-11 £000's
	Balance at 1 April		
155	Gross Carrying Amount	164	
-124	Accumulated Amortisation	-150	
31	Net Carrying Amount	14	
	Additions in year:		
8	Purchases	120	
39		134	
-25	Amortisation for the period	-31	
-	Other Changes	-	
14	**Balance at 31 March**		**103**
	Comprising:		
164	Gross Carrying Amount		284
-150	Accumulated Amortisation		-181
14	**Net Carrying Amount at 31 March**		103

Review Intangible assets to determine whether any are considered to be material. Separate disclosure note may be required.

15. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Financial Instrument Balances	Long Term		Current	
	31 March 2010 £000's	31 March 2011 £000's	31 March 2010 £000's	31 March 2011 £000's
Investments:				
Loans and Receivables:				
Principal	212	146	7,266	13,775
Interest	6	4	3	26
Total Investments	**218**	**150**	**7,269**	**13,801**
Debtors:				
Loans and Receivables	-	-	2,574	2,571
Total Debtors	**-**	**-**	**2,574**	**2,571**
Borrowings:				
Loans and Receivables:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Borrowings:	**-**	**-**	**-**	**-**
Other Long Term Liabilities:				
PFI and Finance Lease Liabilities	21,776	21,154		
Total Long term Liabilities	**21,776**	**21,154**		
Creditors:				
Financial Liabilities at Amortised Cost	-	-	2,666	3,288
Total Creditors	**-**	**-**	**2,666**	**3,288**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Financial Instruments Gains and Losses - 2010-11	Financial Liabilities Liabilities Measured at Amortised Cost £000's	Financial Assets Loans and Receivables £000's	Total £000's
Interest Expense	-	-	-
Impairment Losses (-)/Gains	-	111	111
Total Expense in Surplus or Deficit on the Provision of Services	**-**	**111**	**111**
Interest Income	-	120	120
Interest Income Accrued on Impaired Financial Assets	-	-	-
		-	-
Total Income in Surplus or Deficit on the Provision of Services	-	120	120
Net Gain/Loss (-) for the Year	**-**	**231**	**231**

Financial Instruments Gains and Losses - 2009-10 (Prior Year Comparatives)	Financial Liabilities Liabilities Measured at Amortised Cost £000's	Financial Assets Loans and Receivables £000's	Total £000's
Interest Expense	-178	-	-178
Impairment Losses (-)/Gains	-	204	204
Total Expense in Surplus or Deficit on the Provision of Services	**-178**	**204**	**26**
Interest Income		164	164
Interest Income Accrued on Impaired Financial Assets	-	31	31
Total Income in Surplus or Deficit on the Provision of Services		195	195
Net Gain/Loss (-) for the Year	**-178**	**399**	**221**

Fair Value of Assets and Liabilities:

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans any from the PWLB and other loans payable, premature repayment rates from the PWLB are used to provide the fair value under PWLB debt redemption procedures;
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

Fair Values of Financial Instruments	31 March 2010		31 March 2011	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
PWLB Debt	-	-	-	-
Trade Creditors and Other Payables	2,666	2,666	3,288	3,288
Total Financial Liabilities	**2,666**	**2,666**	**3,288**	**3,288**
Long Term Money Market Investments	218	218	150	150
Short Term Money Market Investments	2,679	2,679	4,609	4,609
Bank Deposits	4,590	4,590	5,000	5,000
Trade Debtors and Other Receivables	2,574	2,574	2,571	2,571
Total Financial Assets	**10,061**	**10,061**	**16,522**	**16,522**

16. Inventories

Inventories	Consumable Stores		Work in Progress		Total	
	2009-10 £000's	2010-11 £000's	2009-10 £000's	2010-11 £000's	2009-10 £000's	2010-11 £000's
Balance at 1 April	**29**	**25**	**-**	**-**	**29**	**25**
Purchases	-	-	-	-	-	-
Recognised as an Expense in the Year	4	7	-	-	4	7
Written off Balances	-	-	-	-	-	-
Balance at 31 March	**25**	**18**	**-**	**-**	**25**	**18**

17. Construction Contracts

The Council has no construction contracts for third parties in progress.

18. Debtors

2009-10 £000's	Debtors	2010-11 £000's
4,902	Central Government Bodies	378
215	Other Local Authorities	176
-	NHS Bodies	-
-	Public Corporations and Trading Funds	-
1,690	Other Entities and Individuals	1,673
6,807	**Total**	**2,227**

19. Cash and Cash Equivalents

2009-10 £000's	Cash and Cash Equivalents	2010-11 £000's
22	Cash held by the Authority	22
150	Bank Current Accounts	-720
4,590	Callable Deposits with Banks and Other Institutions	9,180
2,557	Money Market Funds	3,465
7,319	**Total**	**11,947**

20. Assets Held for Sale

Assets Held for Sale	Current Assets		Non Current Assets	
	2009-10 £000's	2010-11 £000's	2009-10 £000's	2010-11 £000's
Balance at 1 April	**-**	**-**	**-**	**30**
Assets Newly Classified as Held for Sale:				
Property Plant and Equipment	-	-	30	66
Revaluation Losses	-	-	-	-
Revaluation Gains	-	-	-	-
Impairment Losses	-	-	-	-
Assets Declassified as Held for Sale:				
Property Plant and Equipment	-	-	-	-
Assets Sold	-	-	-	-
Transfers from Non Current to Current	-	30	-	-30
Balance at 31 March	**-**	**30**	**30**	**66**

21. Creditors

2009-10 £000's	Creditors	2010-11 £000's
211	Central Government Bodies	1,272
1,642	Other Local Authorities	1,461
6	NHS Bodies	6
-	Public Corporations and Trading Funds	-
1,823	Other Entities and Individuals	3,286
3,682	**Total**	**6,025**

22. Usable Reserves

Movements in the Authority's usage of reserves are detailed in the Movements in Reserves Statement and Note 23.

23. Unusable Reserves

2009-10 £000's	Unusable Reserves	2010-11 £000's
2,627	Revaluation Reserve	3,493
16,718	Capital Adjustment Account	17,496
-521	Financial Instruments Adjustment Account	-214
275	Deferred Capital Receipts Reserve	68
-35,501	Pensions Reserve	-24,718
41	Collection Fund Adjustment Account	32
-	Unequal Pay Back Pay Account	-
-142	Accumulated Absences Account	-265
-16,503	**Total Unusable Reserves**	**-4,108**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009-10 £000's	Revaluation Reserve	£000's	2010-11 £000's
7,520	**Balance at 1 April**	**2,626**	
644	Upward Revaluation of Assets	993	
-5,350	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	-110	
2,814	Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on the Provision of Services	3,509	
-188	Difference between Fair Value Depreciation and Historical Cost Depreciation	-16	
-	Accumulated Gains on Assets Sold or Scrapped	-	
	Amount Written off to the Capital Adjustment Account		
2,626	**Balance at 31 March**		**3,493**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009-10 £000's	Capital Adjustment Account	£000's	2010-11 £000's
-17,398	**Balance at 1 April**		**-16,718**
	Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,405	Charges for Depreciation and Impairment of Non Current Assets	1,686	
-39	Revaluation Losses on Property Plant and Equipment	-60	
25	Amortisation of Intangible Assets	30	
1,135	Revenue Expenditure Funded from Capital Under Statute	2,481	
250	Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	
3,776		4,137	
-188	Adjusting amounts written out of the Revaluation Reserve	-17	
3,588	Net written out amount of the cost of Non Current Assets consumed in the year		4,120
	Capital Financing Applied in the Year:		
-360	Use of the Capital Receipts Reserve to finance new Capital Expenditure	-953	
-1,584	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-2,595	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-	
-663	Statutory provision for the financing of capital investment charged against the General Fund	-953	
-229	Capital Expenditure charged against the General Fund Balance	-398	
-2,836			-4,899
-72	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		-
-16,718	**Balance at 31 March**		**-17,497**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to

the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 44 years.

Regulations also allowed the Council to defer the impact of an impairment to a financial instrument until 2010-11. Adjustments made to the expected impairment have been debited to this account along with accrued interest due on the investment. The full effect of the deferral has now been removed with the impairment being charged against the General Fund in 2010-11. The remaining balance relates solely to historic premiums.

2009-10 £000's	Financial Instruments Adjustment Account	£000's	2010-11 £000's
-820	**Balance at 1 April**		**-522**
45	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
18	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	6	
63			6
235	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements		302
-522	**Balance at 31 March**		**-214**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009-10 £000's	Pensions Reserve	£000's	2010-11 £000's
-26,012	**Balance at 1 April**		**-35,501**
-8,595	Actuarial gains or losses on pension assets and liabilities		6,685
-2,810	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		2,186
1,916	Employers pension contributions and direct payments to pensioners payable in the year		1,912
-35,501	**Balance at 31 March**		**-24,718**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009-10 £000's	Deferred Capital Receipts Account	£000's	2010-11 £000's
-119	**Balance at 1 April**		**-275**
-269	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-64	
113	Transfer to the Capital Receipts Reserve upon the receipt of cash	271	
			207
-275	**Balance at 31 March**		**-68**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009-10 £000's	Collection Fund Adjustment Account	£000's	2010-11 £000's
-17	**Balance at 1 April**		**41**
58	Amount by which council tax credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-9	
41	**Balance at 31 March**		**32**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009-10 £000's	Accumulated Absences Account	£000's	2010-11 £000's
-131	**Balance at 1 April**		**-142**
131	Settlement or cancellation of accrual made at the end of the preceding year	142	
-142	Amounts accrued at the end of the current year	-265	
-11	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-123	
-142	**Balance at 31 March**		**-265**

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities in clued the following items:

2009-10 £000's	Cash Flow Statement – Operating Activities	2010-11 £000's
	Interest Received	
	Interest Paid	
	Dividends Received	
	Total	

25. Cash Flow Statement – Investing Activities

2009-10 £000's	Cash Flow Statement – Investing Activities	2010-11 £000's
	Purchase of Property Plant and Equipment, Investment Property and Intangible Assets	
	Purchase of Short Term and Long Term Investments	
	Other Payments for Investing Activities	
	Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	
	Proceeds from Short Term and Long Term Investments	
	Other Receipts from Investing Activities	
	Total	

26. Cash Flow Statement – Financing Activities

2009-10 £000's	Cash Flow Statement – Financing Activities	2010-11 £000's
	Cash Receipts of Short and Long Term Borrowing	
	Other Receipts from Financing Activities	
	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	
	Repayments of Short and Long Term Borrowing	
	Other Payments for Financing Activities	
	Total	

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Portfolios.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- No charges are made in respect of Accumulated absences.
- No charge are made for revenue expenditure funded by capital under statute which are charged against services in the Comprehensive Income and Expenditure Statement

The income and expenditure of the Authority's Cabinet Portfolios recorded in the budget reports for the year is as follows:

Cabinet Portfolio Income and Expenditure – 2010-11	Policy Corporate and Financial Matters 000's	Cleaner, Greener and Safer £000's	People and Change £000's	Healthier Communities £000's	Quality of Place £000's	Sustainable Housing £000's	Total £000's
Income:							
Fees, charges and other service income	-1,677	-2,651	-25	-176	-671	-51	**-5,251**
Government grants	-37,911	-80	-3	-1,298	-8	-99	**-39,399**
Support service recharges	-4,545	-2,015	-1,507	-361	-965	-354	**-9,747**
Total Income	**-44,133**	**-4,746**	**-1,535**	**-1,835**	**-1,644**	**-504**	**-54,397**
Expenditure:							
Employee expenses	3,313	2,727	669	534	1,036	297	**8,576**
Other service expenses	41,058	5,388	340	3,431	389	337	**50,943**
Support service recharges	3,823	2,615	507	492	1,766	487	**9,690**
Total Expenditure	**48,194**	**10,730**	**1,516**	**4,457**	**3,191**	**1,121**	**69,209**
Net Expenditure	**4,061**	**5,984**	**-19**	**2,622**	**1,547**	**617**	**14,812**

Cabinet Portfolio Income and Expenditure – 2009-10 (Prior Year Comparative Figures)	Policy Corporate and Financial Matters 000's	Cleaner, Greener and Safer £000's	People and Change £000's	Healthier Communities £000's	Quality of Place £000's	Sustainable Housing £000's	Total £000's
Income:							
Fees, charges and other service income	-1,674	-2,602	-20	-148	-739	-47	**-5,230**
Government grants	-36,342	-56	-7	-1,369	-9	-179	**-37,962**
Support service recharges	-4,578	-2,157	-1,504	-222	-964	-354	**-9,779**
Total Income	**-42,594**	**-4,815**	**-1,531**	**-1,739**	**-1,712**	**-580**	**-52,971**
Expenditure:							
Employee expenses	3,258	2,817	752	414	1,037	286	**8,564**
Other service expenses	39,443	5,340	469	1,641	343	462	**47,698**
Support service recharges	3,826	2,645	508	492	1,766	487	**9,724**
Total Expenditure	**46,527**	**10,802**	**1,729**	**2,547**	**3,146**	**1,235**	**65,986**
Net Expenditure	**3,933**	**5,987**	**198**	**808**	**1,434**	**655**	**13,015**

Reconciliation of Cabinet Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Cabinet portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009-10 £000's	Reconciliation of Cabinet Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2010-11 £000's
13,015	Net Expenditure in Cabinet Portfolio Analysis	14,812
-	Net Expenditure of Services and Support Services not included in the Portfolio Analysis	-
1,377	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Portfolio Analysis	-4,780
-	Amounts included in the Portfolio Analysis not included in Comprehensive Income and Expenditure Statement	-
14,392	**Cost of Services in the Comprehensive Income and Expenditure Statement**	**10,032**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2010-11	Portfolio Analysis £000's	Services and Support Services not in Analysis £000's	Amounts not Reported to Management for Decision Making £000's	Amounts not included in CIES £000's	Allocation of Recharges £000's	Cost of services £000's	Corporate Amounts £000's	Total £000's
Income:								
Fees, charges and other service income	-5,251	-	-28	-	-	-5,279	-	-5,279
Interest and Investment Income	-	-	-	-	-	-	-3,177	-3,177
Income from Council Tax	-	-	-	-	-	-	-7,627	-7,627
Support Service Recharges	-9,747	-	-	-	9,747	-	-	-
Other	-	-	-4,886		-56	-4,942	-112	-5,054
Government Grants and Contributions	-39,399	-	-1,377	-	-	-40,776	-10,674	-51,450
Total Income	**-54,397**	**-**	**-6,291**	**-**	**9,691**	**-50,997**	**-21,590**	**-72,587**
Expenditure:								
Employee Expenses	8,575	-	-71	-	-	8,504	-	8,504
Other Service Expenses	50,943	-	-2,556	-	-	48,387	-	48,387
Support Service Recharges	9,691	-	-	-	-9,691	-	-	-
Depreciation, Amortisation and Impairment	-	-	4,138	-	-	4,138	-	4,138
Interest Payments	-	-	-	-	-	-	6,674	6,674
Precepts and Levies	-	-	-	-	-	-	1,398	1,398
Other	-	-	-		-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	2	2
Gain or Loss on the Disposal of Fixed Assets	-	-	-	-	-	-	-240	-240
Total Expenditure	**69,209**	**-**	**1,511**	**-**	**-9,691**	**61,029**	**7,834**	**68,863**
Surplus or Deficit on the Provision of Services	**14,812**	**-**	**-4,780**	**-**	**-**	**10,032**	**-13,756**	**-3,724**

Reconciliation to Subjective Analysis 2009-10 (Prior Year Comparatives)	Portfolio Analysis £000's	Services and Support Services not in Analysis £000's	Amounts not Reported to Management for Decision Making £000's	Amounts not included in CIES £000's	Allocation of Recharges £000's	Cost of services £000's	Corporate Amounts £000's	Total £000's
Income:								
Fees, charges and other service income	-5,230	-	-23	-	-	-5,253	-	-5,253
Interest and Investment Income	-	-	-	-	-	-	-2,450	-2,450
Income from Council Tax	-	-	-	-	-	-	-7,472	-7,472
Support Service Recharges	-9,780	-	-	-	9,779	-	-	-
Other	-	-	-	-	-56	-56	-321	-377
Government Grants and Contributions	-37,962	-	-1,153	-	-	-39,115	-10,772	-49,887
Total Income	**-52,972**	**-**	**-1,176**	**-**	**9,723**	**-44,424**	**-21,015**	**-65,439**
Expenditure:								
Employee Expenses	8,566	-	-626	-	-	7,939	-	7,939
Other Service Expenses	47,698	-	-20	-	-	47,678	-	47,678
Support Service Recharges	9,723	-	-	-	-9,723	-	-	-
Depreciation, Amortisation and Impairment	-	-	3,173	-	-	3,173	-	3,173
Interest Payments	-	-	-	-	-	-	6,641	6,641
Precepts and Levies	-	-	-	-	-	-	1,273	1,273
Other	-	-	26	-	-	26	-	26
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	2	2
Gain or Loss on the Disposal of Fixed Assets	-	-	-	-	-	-	-376	-376
Total Expenditure	**65,987**	**-**	**2,553**	**-**	**-9,723**	**58,816**	**7,540**	**66,356**
Surplus or Deficit on the Provision of Services	**13,015**	**-**	**1,377**	**-**	**-**	**14,392**	**-13,475**	**917**

28. Trading Operations

The Council does not have any trading operations where the services manager is required to operate in a commercial environment.

29. Agency Services

The Council previously had an agency agreement with Derbyshire County Council whereby the Council was responsible for maintaining highways within the Borough on behalf of the County Council. Although this agreement was terminated in 2001, the Council continues to provide an amenity maintenance service on behalf of the County Council, for which the Council is reimbursed for this work, along with a contribution towards administrative costs.

A summary of the income and expenditure arising from this activity along with details of the net cost charged to the Comprehensive Income and Expenditure Statement is shown below:

2009-10 £000's	Agency Services	2010-11 £000's
127	Expenditure Incurred	132
-127	Expenditure Reimbursed	-127
-10	Agency Fee Income	-10
-10	**Net Cost Arising from the Agency Agreement**	**-5**

30. Members Allowances

The Authority paid the following amounts to members of the council during the year.

2009-10 £000's	Members Allowances	2010-11 £000's
167	Basic Allowances	163
66	Special Responsibility Allowances	62
7	Other Allowances	6
1	Expenses	1
241	**Total Allowances**	**232**

31. Officers Remuneration

The remuneration paid to the Authority's senior employees is as follows:

Senior Officers' Remuneration	Year	Salary, Fees & Allowances £000's	Bonuses £000's	Expenses £000's	Compensation for loss of Office £000's	Pension Contributions £000's	Benefits in Kind £000's	Total £000's
Chief Executive	2010-11	* 101	-	-	-	22	1	124
	2009-10	96	-	-	-	21	1	118
Executive Director Financial Services	2010-11	68	-	-		15	1	84
	2009-10	68	-	-	-	15	1	84
Executive Director Environmental Services	2010-11	68	-	-	-	15	1	84
	2009-10	66	-	-	-	15	1	82
Assistant Chief Executive & Monitoring Officer	2010-11	63	-	-	-	13	4	80
	2009-10	62	-	-	-	13	4	79

* Includes Returning Officer Fees.

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2009-10 Numbers	Remuneration Bands	2010-11 Numbers
-	£50,000 to £54,999	2
-	£55,000 to £59,999	-
1	£60,000 to £64,999	1
* 3	£65,000 to £69,999	2
-	£70,000 to £74,999	-
-	£75,000 to £79,999	-
-	£80,000 to £84,999	-
-	£85,000 to £89,999	-
-	£90,000 to £94,999	-
1	£95,000 to £99,999	-
-	£100,000 to £104,999	** 1
-	£105,000 to £109,999	-

* One senior employee left during the course of 2009-10 and the remuneration paid in respect of this employee included a termination payment.

** Includes Returning Officer Fees.

32. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2009-10 £000's	Audit Fees	2010-11 £000's
101	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed Auditor for the year	108
8	Fees payable to the Audit Commission in respect of Statutory Inspections	-
15	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	11
1	Fees payable in respect of other services provided by the Audit Commission during the year	2
125		**121**

The fees for other services payable in both 2009-10 and 2010-11 related to the National Fraud Initiative.

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010-11:

2009-10 £000's	Grant Income	£000's	2010-11 £000's
	Credited to Taxation and Non Specific Grant Income:		
1,827	Revenue Support Grant	1,253	
49	Local Authority Business Growth Initiative	-	
152	Housing and Planning Delivery Grant	-	
71	Area Based Grant	94	
481	Housing Market Area Growth Point Grant	279	
-	Play Builder Grant	150	
87	Other Misc Grants	18	
55	Section 106 Contribution	176	
137	Contributions	77	
2,859			2,047
	Credited to Services:		
35,782	Grants from the DWP	37,371	
1,293	Grants from the DCLG	1,576	
312	Grants from DoT	337	
122	Grants from the DCMS	152	
39	Other Grants	196	
447	Contributions	1,479	
37,995			41,111
40,854	**Total Grant Income**		**43,158**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2009-10 £000's	Balance on Receipts in Advance	£000's	2010-11 £000's
	Capital Grants Receipts in Advance:		
8	Disabled Facilities Grant	8	
41	Derelict Land Grant	41	
97	Derby HMA Growth Point Grant	300	
292	Traffic & Highways Section 106	293	
959	Education Section 106	836	
1,055	Open Spaces Section 106	914	
16	Belper Mill Contribution	16	
808	Land Drainage Section 106	813	
269	Public Open Spaces Section 106	278	
955	Affordable Housing Section 106	530	
7	Green Commercial Centres	15	
78	Playbuilder Projects	-	
-	Play Area Refurbishments	11	
-	Holbrook Group Play Scheme	1	
-	Heanor Gateway Public Art	13	
4,585	**Total**		**4,069**

34. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (for example council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 33.

Elected Members of the Council

Members of the council have direct control over the council's financial and operating policies**.** The total of members' allowances paid in 2010-11 is shown in Note 30. In addition, the Council paid grants totalling £330,000 to voluntary organisations in which 40 members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest open to public inspection at the Town Hall during office hours.

Officers

Officers have declared interests following the introduction of the Council's Code of Conduct for Local Authority Employees. During 2010-11 there were no services commissioned from a company in which an officer had a controlling interest.

Entities Controlled or Significantly Influenced by the Authority

None applicable to the Council.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009-10 £000's	Capital Financing Requirement	£000's	2010-11 £000's
29,845	**Opening Capital Financing Requirement**		**29,216**
	Capital Investment:		
1,063	Property Plant and Equipment	1,380	
-	Investment Properties	-	
8	Intangible Assets	120	
1,135	Revenue Expenditure funded from Capital Under Statute	2,481	
2,206			3,981
	Sources of Finance:		
-359	Capital Receipts	-953	
-1,584	Government Grants and Other Contributions	-2,551	
	Sums Set Aside from Revenue:		
-231	Direct Revenue Contributions	-443	
-661	Minimum Revenue Provision	-953	
-2,835			-4,900
29,216	**Closing Capital Financing Requirement**		**28,297**
	Explanation of Movements in Year		
-661	Increase/Decrease(-) in Underlying Need to Borrow (Supported by Government Financial Assistance)	-953	
-	Increase/Decrease(-) in Underlying Need to Borrow (Supported by Government Financial Assistance)	-	
32	Assets acquired under Finance Leases	34	
-	Assets acquired under PFI Contracts	-	-919
-629	**Increase/Decrease (-) in Capital Financing Requirement**		**-919**

36. Leases

The Authority as Lessee

Finance Leases

The Council has acquired the use of a number of commercial vehicles by entering into finance leases. This also includes a number of refuse vehicles provided via a seven year contract with a external service provider.

The Council also makes use of various items of land and property acquired under similar leasing arrangements. The most significant is in respect of a number industrial units at Langley Mill.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2009-10 £000's	Finance Leases	2010-11 £000's
82	Other Land and Buildings	78
993	Vehicles Plant and Equipment	689
1,500	Investment Property	1,500
2,575		**2,267**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired and the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2009-10 £000's	Finance Leases	2010-11 £000's
	Finance Lease Liabilities (NPV of Minimum Lease Payments):	
1,827	Current	1,498
-	Non Current	-
1,196	Finance costs payable in future years	1,076
3,023	**Minimum Lease Payments**	**2,574**

The minimum lease payments will be payable over the following periods:

Minimum Lease Payments	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000's	31 March 2011 £000's	31 March 2010 £000's	31 March 2011 £000's
Not later than one year	458	458	355	385
Later than one year and not later than five years	1,137	730	892	539
Later than five years	1,428	1,386	580	574
Total	**3,023**	**2,574**	**1,827**	**1,498**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

The Council has acquired the use of a number of commercial vehicles by entering into operating leases. These leases are for a number of differing periods. The

Council also makes use of various items of land and property acquired under similar leasing arrangements.

The future minimum lease payments due under non-cancellable lease in future years are:

2009-10 £000's	Operating Leases	2010-11 £000's
	Not later than one year	
	Later than one year and not later than five years	
	Later than five years	
	Minimum Lease Payments	

The expenditure charged to the (detail line) in the Comprehensive Income and Expenditure Statement during the year was:

2009-10 £000's	Operating Leases	2010-11 £000's
	Minimum Lease payments	
	Contingent Rents	
	Total expenditure	

The Authority as Lessor

Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- For the provsion of community services such as sports and recreational facilities, and
- For economic development purposes to provide suitable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

2009-10 £000's	Operating Leases	2010-11 £000's
	Not later than one year	
	Later than one year and not later than five years	
	Later than five years	
	Minimum Lease Payments	

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

37. Private Finance Initiatives and Similar Contacts

Leisure PFI Scheme

Scheme overview including reference to tests of control

Property Plant and Equipment

The assets used to provide services at the leisure centres are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

PFI Payments	Service Charges £000's	Repayment of Finance Liability £000's	Finance Interest £000's	Total Payments £000's
Amount payable in 2011-12	605	270	1,739	2,614
Amount due between 2 and 5 years	3,276	1,468	8,326	13,070
Amount due between 6 and 10 years	3,525	1,958	7,587	13,070
Amount due between 11 and 15 years	4,121	2,199	6,749	13,069
Amount due between 16 and 20 years	3,977	3,703	5,389	13,069
Amount due between 21 and 25 years	3,059	4,549	2,848	10,456
Amount due between 25 and 30 years	3,509	5,509	1,003	10,021
Total	**22,072**	**19,656**	**33,641**	**75,369**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows**:**

2009-10 £000's	PFI Finance Lease Liability	2010-11 £000's
19,944	**Balance Outstanding at 1 April**	**19,949**
-	Payments during the year	
5	Other Movements	-293
19,949	**Balance Outstanding at 31 March**	**19,656**

38. Impairment Losses

The Authority is required to disclose by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12 and 14 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

39. Termination Benefits

The Council terminated the contracts of a number of employees in 2010-11 (£35,000 in 2009-10) incurring liabilities of £18,000. A sum of £8,000 was paid as compensation for loss of office plus a further £10,000 was paid in lieu of notice.

40. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Derbyshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund,

calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Transactions Relating to Post Employment Benefits	Local Government Pension Scheme	
	2009-10	2010-11
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	-638	-1,082
Past Service Cost/Gain(+)	-	4,886
Settlement and Curtailments	-25	-
Financing and Investment Income and Expenditure:		
Interest Cost	-4,401	-4,675
Expected Return on Scheme Assets	2,254	3,057
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	-2,810	2,186
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial Gains and Losses	-8,595	6,685
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-8,595	6,685
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	2,810	-2,186
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers Contributions payable to the scheme	1,916	1,912

The cumulative amount of actuarial gains and losses recognized in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £15.789 million.

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

Pension Scheme Liabilities	Funded Liabilities: Local Government Pension Scheme	
	2009-10	2010-11
	£000	£000
Opening Balance as at 1 April	63,057	84,294
Current Service Cost	638	1,082
Interest Cost	4,401	4,675
Contributions by Scheme Participants	375	376
Actuarial Gains and Losses	18,957	-4,769
Benefits Paid	-3,159	-3,078
Past Service Costs	-	-4,886
Curtailments	25	-
Settlements	-	-
Closing Balance as at 31 March	**84,294**	**77,694**

Reconciliation of fair value of the scheme assets:

2009-10 £000's	Pension Scheme - Fair Value of Assets	2010-11 £000's
37,045	**Opening Balance as at 1 April**	**48,793**
2,254	Expected Rate of Return	3,057
10,362	Actuarial Gains and Losses	1,916
1,916	Employers Contributions	1,912
375	Contributions by Scheme Participants	376
-3,159	Benefits Paid	-3,078
-	Settlements	-
48,793	**Closing Balance as at 31 March**	**52,976**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected

yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £3.692million (2009-10: £12.616million).

Scheme History

Pension Scheme History	2006-07 £000's	2007-08 £000's	2008-09 £000's	2009-10 £000's	2010-11 £000's
Present Value of Liabilities:	-68,894	-74,950	-63,057	-84,294	-77,694
Fair Value of Assets in the Local Government Pension Scheme	45,465	45,163	37,045	48,793	52,976
Total Surplus/Deficit (-)	**-23,429**	**-29,787**	**-26,012**	**-35,501**	**-24,718**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £24.718 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a overall balance of £8.293 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £1.83 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the Actuary have been:

Pension Scheme Principal Assumptions	Local Government Pension Scheme 2009-10	2010-11
Long Term Expected rate of Return on Assets in the Scheme:		
Equity Investments	7.5%	7.5%
Government Bonds	4.5%	4.4%
Other Bonds	5.2%	5.1%
Property	6.5%	6.5%
Cash	0.5%	0.5%
Other	7.5%	7.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	21.2	21.7
Women	24.1	24.3
Longevity at 65 for future pensioners		
Men	22.2	23.1
Women	25.0	25.9
Other Assumptions:		
Rate of Inflation RPI	3.3%	3.4%
Rate of Inflation CPI	2.8%	2.9%
Rate of Increase in Salaries	4.8%	4.65%
Rate of Increase in Pensions	3.3%	2.9%
Rate for Discounting Scheme Liabilities	5.6%	5.5%
Take up of option to convert annual pension into retirement lump sum	25%	25%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

2009-10 %	Pension Scheme – Analysis of Assets	2010-11 %
68.0	Equity Investments	68.5
14.6	Government Bonds	6.8
5.8	Other Bonds	5.6
5.1	Property	5.1
5.8	Cash	6.3
0.7	Other	7.7
100.0	**Total**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

Pension Scheme History	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %
Differences between expected and actual Return on Assets	9.84	6.20	29.50	-21.20	-3.60
Experience Gains and Losses on Liabilities	1.40	3.80	-23.70	22.50	-6.10

41. Contingent Liabilities

At 31 March 2011, the Authority had three material contingent liabilities:

Job Evaluation -: The Council completed the job evaluation and appeal review process in June 2011. The Council has set aside funding in an earmarked reserve to meet potential implications of unequal/unfair pay claims which may arise following the completion of the process.

Financial Guarantees Granted: The Council granted a number of warranties as part of the Housing Stock Transfer, which took place in February 2003. The warranties are in favour of Amber Valley Housing Limited (AVHL) and the Prudential Trustee Company and cover a range of potential risks.

The warranties given to AVHL run for a period of 22 years. The risk of the warranty being called is considered to be low and no specific financial provision has been made, although this position will continue to be reviewed on an annual basis and amended accordingly.

The warranty given to the Prudential Trustee Company runs for 31 years and is in relation to the costs of undertaking remediation works required as a result of asbestos. It is considered there is a reduced likelihood of a claim arising under this warranty as majority of improvement works required to the Council's former housing stock have already been carried out in the period since the stock was transferred.

Employment Appeals Tribunal – The Council has received a single claim, which has been referred to an Employment Tribunal for determination. The Council has set aside funding in an earmarked reserve to meet equal pay/unfair pay claims from which any award would be met.

42. Contingent Assets

The Council is in the process of pursuing a further claim against Her Majesty's Revenue and Customs (HMRC). This is in respect of compound interest on a previously settled claim for overpaid output tax.

In settling the claim for overpaid output tax HMRC paid accrued interest calculated on a simple basis. Recent litigation suggests that compound interest could be payable on such claims. If the Council's claim is successful this could result in an additional interest receipt payable to the Council.

No provision has been made in the Council's accounts for this eventuality pending the outcome of the claim lodged with the High Court.

43. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Re-Financing Risk – The possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations; ·
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year
- By approving an Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved by the Council's as part of the annual budget and council tax setting process. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Full Council on 1 March 2010 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £9.8 million, although this was subsequently revised (to £29,49 million) to take account of the long term leasing liability arising from the Council's leisure PFI coming 'on balance sheet'. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £8.3 million again this was revised as explained above to £27.99 million. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown in this note.

The in-house accountancy team is responsible for implementing these policies. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMP's). These TMP's are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criterion is applied. The full investment Strategy for 2009-10 was approved by Full Council on 1 March 2010 and is available on the Council website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of F1 (short-term), A- (long term), 3 (support rating) and C (Individual/financial strength), with the lowest available rating being applied to the criteria.
- Institutions with AAA rated sovereign government guarantees
- UK Institutions eligible for support from the UK Government
- AAA rated Money Market Funds

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of approximately £14 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

Exposure to Credit Risk	Amount at 31 March 2011 £000's	Historic Experience of Default %	Adjustment for Market Conditions at 31 March 2011 %	Estimated Maximum Exposure to Default £000's
Deposits with banks and financial institutions: -				
AAA rated counterparties	3,465	0.00	0.00	-
AA rated counterparties	10,180	0.03	0.03	3
A rated counterparties	-	0.08	0.08	-
BBB rated counterparties	-	0.24	0.24	-
Customers	427			1
Total	**14,072**			**4**

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £1 million invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The carrying value of the impaired investment is excluded from the above table.

Investments made with such banks are currently subject to the administration process. The Administrators of the bank will determine the amounts and timing of payments to depositors such as the Council.

Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for it's deposit, and has taken the action outlined below. As the available information is not definitive as to the amounts and

timings of payments to be made by the Administrators, it is likely that further adjustments will be made to the accounts in future years.

The current position as outlined the in the Administrators report to creditors issued in May 2011 indicates a recovery of between is expected of between 78 – 86%. The mid point (82%) has been used for calculating the impairment adjustment for 2010-11. This has seen an improvement in the overall prospects for recovery of the investment. As a result a credit of £111,500 has been credited to the Comprehensive Income and Expenditure Statement. This has meant a impairment charge (previously deferred until 2010-11) of £190,500 has been charged against the General Fund Balance.

No other breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its customers, such that £257,000 of the £427,000 balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2010 £000'	Trade Debtors – Aged Debt Analysis	31 March 2011 £000's
475	Less than three months	37
13	Between three and six months	153
18	Between six months and one year	24
39	More than one year	43
545	**Total**	**257**

Collateral - During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

31 March 2010 £000’	Maturity Analysis of Financial Assets	31 March 2011 £000’s
7,266	Less than one year	13,774
112	Between one and two years	150
106	Between two and three years	-
7,484	**Total**	**13,924**

All trade and other receivables are due to be paid in less than one year and are not shown in the table above.

Refinancing and Maturity Risk

Historically the Council has maintained both debt and investment portfolios. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature or replacing previously repaid debt. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day-to-day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

	Approved Minimum Limits	**Approved Maximum Limits**	**Actual 31 March 2010 £000’s**	**Actual 31 March 2011 £000’s**
Less than one year	0%	20%	-	-
Between one and two years	0%	33%	-	-
Between two years and five years	0%	50%	-	-
Between five years and ten years	0%	75%	-	-
More than ten years	20%	100%	-	-
Total			**-**	**-**

All trade and other payables are due to be paid in less than one year and are not shown in the table above.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The accountancy team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Exposure to Interest Rate Risk	**£000's**
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rate investments	126
Impact on Surplus or Deficit on the Provision of Services	**126**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**-**
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**-**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price Risk

The Council does not generally invest in instruments with this type of risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

44. <u>Transition to IFRS Based Code of Practice on Local Authority Accounting</u>

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transaction, with the result that some amounts presented in the Financial Statements are different from equivalent figures presented in the Statement of accounts for 2009-10.

The following table explain the significant differences between the amounts presented in the 2009-10 Financial Statements and the equivalent amounts presented in the 2010-11 Financial Statements.

Short Term Accumulating Compensating Absences

Short term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used rather than when employees earn the benefits. Amounts are transferred to the accumulated Absences Account until the benefits are used.

Accruing for short term accumulating absences has resulted in the following changes being made to the 2009-10 financial statements.

	2009-10 Statements £000's	Adjustments Made £000's
Opening Balance Sheet 1 April 2009		
Short Term Creditors	-6,677	-131
Accumulated Absences Account	-	131
Restated Balance Sheet 31 March 2010		
Short Term Creditors	-4,937	-142
Accumulated Absences Account	-	142
2009-10 Comprehensive Income and Expenditure Statement		
Central services to the public	1,064	2
Environmental and regulatory services	4,738	-3
Planning services	1,243	5
Corporate and democratic core	1,578	8

Leases

As a result of the transition to the IFRS based Code, the Council has undertaken a review of leases involving land and property and vehicles. This has seen a number of leases reclassified as finance leases from their previous classification as operating leases.

As a consequence the Council is required to record the value of the assets concerned in the Balance Sheet and this is met be a corresponding long-term liability.

Such assets are subsequently depreciated in accordance with the Council's Accounting Policies. Payments made to the lessor in respect of the leases are apportioned between the write down of the leasing liability plus an interest charge.

Interest is charged against the Comprehensive Income and Expenditure Statement (Financing & Investing Income & Expenditure). The depreciation charge is transferred from the General Fund to the Capital Adjustment Account. The General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital adjustment Account).

These transfers are reflected in the Balance Sheets for 1 April 2009 and 31 March 2010, and the adjustments, which relate to 2009-10, are reported in the Movement in Reserves Statement for the year.

This has resulted in the following changes to the 2009-10 Financial Statements.

	2009-10 Statements £000's	Adjustments Made £000's
Opening Balance Sheet 1 April 2009		
Property Plant & Equipment	51,838	2,896
Other Long Term Liabilities	50,483	-2,151
Capital Adjustment Account	16,199	-745
Restated Balance Sheet 31 March 2010		
Property Plant & Equipment	46,083	-321
Other Long Term Liabilities	61,111	324
Capital Adjustment Account	15,495	-3
2009-10 Comprehensive Income and Expenditure Statement		
Cultural & related services	2,212	-4
Environmental and regulatory services	4,738	-84
Planning services	1,243	-69
Highways & transportation services	2,625	-8
Corporate and democratic core	1,578	-1
Financing & Investment Income & Expenditure	3,779	163

Cash and Cash Equivalents

The IFRS based Code introduced the concept of cash and cash equivalents. Cash equivalents are investments that are readily convertible to known amount of cash with an insignificant risk of change in value.

The Council has reclassified its Money Market Fund deposits plus money deposited within various bank business reserve accounts as cash equivalents as these deposits are repayable on demand without penalty.

This has seen a transfer from the balances held as short-term investments in the Balance Sheet as at 1 April 2009 and 31 March 2010 with a corresponding increase in cash and cash Equivalents.

This has resulted in the following changes to the 2009-10 Financial Statements.

	2009-10 Statements £000's	Adjustments Made £000's
Opening Balance Sheet 1 April 2009		
Short Term Investments	14,938	-12,115
Cash & Cash Equivalents	144	12,115
Restated Balance Sheet 31 March 2010		
Short Term Investments	7,269	-7,147
Cash & Cash Equivalents	172	7,147

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously grants were held in a government grants deferred account and recognised as income over the life of the assets, which they were used to finance.

As a consequence of adopting the accounting policy required under the Code the Financial Statements have been amended as follows:

The balance on the Government Grants Deferred Account as at 31 March 2009 has been transferred to the Capital adjustment Account in the Opening 1 April 2009 Balance Sheet.

Portions of Government Grants Deferred, which were previously recognised as income in 2009-10, have now been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

Grants and contributions previously received but not used for financing expenditure were previously recorded in the Balance Sheet as creditors and receipts in advance or long-term liabilities. Such grants have now been reassess to determine whether condition apply to the award of the grant. Where conditions remain outstanding such grants have been transferred to Capital Grants and Contributions Receipts in Advance Account in the Balance Sheet.

Where no such conditions exist but expenditure has not yet been incurred any grants unused have been transferred to either an earmarked reserve in respect of revenue grants or to the Capital Grants & Contributions Unapplied Account in the Council Balance Sheet.

This has resulted in the following changes to the 2009-10 Financial Statements.

	2009-10 Statements £000's	Adjustments Made £000's
Opening Balance Sheet 1 April 2009		
Short Term Creditors	6,677	1,270
Other Long Term Liabilities	50,483	3,990
Capital Grants & Contributions Receipts In Advance	-	-3,572
Capital Grants & Contributions Unapplied	-	-1,004
Other Useable Reserves	-	-230
Capital Adjustment Account	16,199	-454
Restated Balance Sheet 31 March 2010		
Short Term Creditors	4,937	1,397
Other Long Term Liabilities	61,111	4,659
Capital Grants & Contributions Receipts In Advance	-	-4,584
Capital Grants & Contributions Unapplied	-	-1,112
Other Useable Reserves	-	-451
Capital Adjustment Account	15,495	91
2009-10 Comprehensive Income and Expenditure Statement		
Central services to the public	1,064	1
Cultural & related services	2,212	655
Environmental and regulatory services	4,738	-97
Planning services	1,243	5
Highways & transportation services	2,625	9
Housing services	581	-43
Corporate and democratic core	1,578	-7
Taxation and Non Specific Grant Income	-	-759

COLLECTION FUND STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for Billing Authorities to maintain a separate Collection Fund. The statement shows the transactions of the Billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

COLLECTION FUND

2009-10 £000's	Details	Note Ref	2010-11 £000's
	Income:		
51,688	Council Tax		52,711
8,305	Council Tax Benefits		8,626
63	Transitional Relief		3
27,859	Non Domestic Rate Income	1	26,917
87,915			88,257
	Expenditure		
	Precepts and Demands:		
42,950	Derbyshire County Council	3	44,027
6,528	Derbyshire Police Authority	3	6,692
2,652	Derbyshire Fire Authority	3	2,745
7,421	Amber Valley Borough Council (Including Parishes)	3	7,606
	Non Domestic Rates:		
27,697	Payment to National Pool		26,760
162	Cost of Collection Allowance		157
	Contribution to/from previous year's Collection Fund deficit/(surplus):		
-40	Derbyshire County Council		174
-6	Derbyshire Police Authority		26
-2	Derbyshire Fire Authority		12
-7	Amber Valley Borough Council		30
41	Council Tax Write Offs		57
52	Movement in Provision for Non-Payment of Council Tax		45
87,448			88,331
467	**Surplus/Deficit (-) for the Year**		-74
-139	**Opening Surplus/Deficit (-) as at 1 April**		328
328	**Closing Surplus/Deficit (-) as at 31 March**	4	254

NOTES TO THE COLLECTION FUND ACCOUNTS

1. National Non Domestic Rates

National Non Domestic rates is organised on a national basis with the Council being responsible for collecting rates due from rate payers in its area, but the proceeds are paid into a central pool administered by the Government. The Government redistributes the sums paid into the central pool to local authorities on the basis of a standard amount per head of population.

Rates are calculated using a multiplier set by the Government (43.3p in 2010-11 and the lower multiplier of 42.6p for those businesses which qualify for small business rate relief compared with 48.5p and 45.1p in 2009-10). This multiplier, which cannot increase by more than the annual rate of inflation as at the previous September except following a revaluation, is applied to individual business premises rateable values to calculate the amount due for the year.

The rate income (after various relief and provisions) was £26,917,329.92 for 2010-11 compared to £27,859,562 for 2009-10. This is based upon the rateable value for the area of £77,172,166 for 2010-11 (£71,720,564 in 2009-10).

2. Calculation of Council Tax Base

Council Tax income derives from charges raised in according to the value of residential properties, which have been classified into eight valuation bands using April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required from the Collection Fund by Amber Valley Borough Council, the County Council, the Police Authority and Fire Authority for the forthcoming year. This amount is divided by the Council Tax Base (the number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent value adjusted for various discounts). The Council Tax Base for 2010-11 was £40,871.09 compared to 40,469.24 for 2009-10.

The basic charge for Council Tax for a Band D property is £1,460.04 in 2010-11 (£1,440.05 for 2009-10); this is multiplied by the proportion specified for the particular band to give the amount due for the year. A further amount may be added in respect of the appropriate Parish Council Precept divided by the Council Tax Base for that Parish.

The Council Tax Base for 2010-11 was calculated as follows: -

Council Tax Base 2010-11 Valuation Band (As At April 1991)	No of Properties	Percentage of Total %	Relative Tax Payable	Council Tax Base
A – Less Than £40,000	21,396	39.53	6/9	12,139.36
B – Between £40,000 and £52,000	11,322	20.92	7/9	7,921.68
C – Between £52,000 and £68,000	9,805	18.12	8/9	7,946.36
D – Between £68,000 and £88,000	5,822	10.76	9/9	5,349.30
E – Between £88,000 and £120,000	2,860	5.28	11/9	3,269.14
F – Between £120,000 and £160,000	1,476	2.73	13/9	2,006.60
G – Between £160,000 and £320,000	1,328	2.45	15/9	2,065.74
H – More Than £320,000	114	0.21	18/9	172.91
Total	**54,123**	**100.00**		**40,871.09**

Comparative figures for 2009-10 are shown below:

Council Tax Base 2009-10 Valuation Band (As At April 1991)	No of Properties	Percentage of Total %	Relative Tax Payable	Council Tax Base
A – Less Than £40,000	21,278	39.51	6/9	12,024.28
B – Between £40,000 and £52,000	11,303	20.99	7/9	7,829.39
C – Between £52,000 and £68,000	9,733	18.07	8/9	7,853.59
D – Between £68,000 and £88,000	5,786	10.75	9/9	5,308.78
E – Between £88,000 and £120,000	2,858	5.31	11/9	3,245.07
F – Between £120,000 and £160,000	1,456	2.70	13/9	1,963.49
G – Between £160,000 and £320,000	1,326	2.46	15/9	2,080.10
H – More Than £320,000	113	0.21	18/9	164.54
Total	**53,853**	**100.00**		**40,469.24**

3. Precepting Authorities

Details of the precepts for each of the major precepting authorities charged against the Collection Fund for 2010-11 along with the Band D equivalent value are as follows: -

Details of Major Precepts 2010-11	**2010-11 Band D Equivalent £**	**2010-11 £000's**
Amber Valley Borough Council (including Parishes)	186.10	7,606
Derbyshire County Council	1,077.22	44,027
Derbyshire Police Authority	163.74	6,692
Derbyshire Fire Authority	67.17	2,745

Comparative figures for 2009-10 are shown below:

Details of Major Precepts 2009-10	**2009-10 Band D Equivalent £**	**2009-10 £000's**
Amber Valley Borough Council (including Parishes)	183.37	7,421
Derbyshire County Council	1,061.31	42,950
Derbyshire Police Authority	161.32	6,528
Derbyshire Fire Authority	65.52	2,652

4. Collection Fund Surplus/Deficit

The surplus of £253,692.51 on the Collection Fund at 31 March 2011 shown in the Accounts will be distributed in subsequent financial years between Amber Valley Borough Council, the County Council, the Police Authority and Fire Authority in proportion to the value of the respective Precepts made on the Collection Fund.

2009-10 £000's	Apportionment of Collection Fund Balance	2010-11 £000's
41	Amber Valley Borough Council	32
237	Derbyshire County Council	183
36	Derbyshire Police Authority	28
14	Derbyshire Fire Authority	11
328	**Total Collection Fund Surplus/Deficit (-)**	**254**

GOVERNANCE STATEMENT

Statement to be inserted once this has been approved by Full Council.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF AMBER VALLEY BOROUGH COUNCIL

Opinion on the Financial Statements

I have audited the Authority accounting statements and related notes of Amber Valley Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Accounting of Statements comprise the Movement in Reserves Statement, the Comprehensive Statement of Income and Expenditure, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the Related Notes. These Accounting Statements have been prepared under the Accounting Policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Amber Valley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective Responsibilities of the Executive Director Financial Services and Auditor

The Executive Director Financial Services responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority Accounting Statements, and consider whether it is consistent with the audited Authority Accounting Statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Accounting Statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority Accounting Statements and related notes.

Opinion

In my opinion the Authority Accounting Statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010, of the financial position of the Authority as at 31 March 2011 and its income and expenditure for the year then ended.

Conclusion on Arrangements for Securing Economy, Efficiency and effectiveness in the Use of Resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditors Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention, which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Amber Valley Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

District Auditor

Address